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LETTER DATED 19 DECEMBER 1990 FROM THE CHAIRMAN OF THE SECURITY COUNCIL COMMITTEE ESTABLISHED BY RESOLUTION 661 (1990) CONCERNING THE SITUATION BETWEEN IRAQ AND KUWAIT ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

Addendum

Letter dated 21 December 1990 from the Chairman of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait addressed to the President of the Security Council

I have the honour to refer to my letter dated 19 December 1990 by which I submitted the first set of recommendations to the Security Council adopted by the Security Council Committee established by Security Council resolution 661 (1990) in response to requests for assistance under the provisions of Article 50 of the Charter of the United Nations.

At its 22nd meeting, on 20 December 1990, the Committee adopted without objection as further recommendations to be made to the President of the Security Council the draft decisions submitted by the Working Group with regard to Sri Lanka, Yemen, Czechoslovakia, Poland, Mauritania, Pakistan, the Sudan, Uruguay, Viet Nam, Bangladesh and the Seychelles. The recommendations are set out hereunder. In accordance with the decision taken at the Committee's 21st meeting and at the request of applicant States, the Committee is transmitting with the relevant recommendation any additional explanatory material provided by those States.

(Signed) Marjatta RASI
Chairman
Security Council Committee established by
resolution 661 (1990) concerning the
situation between Iraq and Kuwait

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Annex I

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to Sri Lanka

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communications received from Sri Lanka under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by Sri Lanka a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990) and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of Sri Lanka,

Expressing concern at the special economic problems confronting Sri Lanka as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), which are particularly difficult in terms of its commercial and financial losses, as well as costs associated with the repatriation and rehabilitation of Sri Lankan workers returning from Kuwait and Iraq,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by Sri Lanka, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of Sri Lanka for the measures it has taken to comply with resolution 661 (1990);

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a/ S/21627, S/21710 and S/21984.

2. Recognizes the urgent need to assist Sri Lanka in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered Sri Lankan products to Iraq and Kuwait, as well as costs associated with the repatriation and rehabilitation of Sri Lankan workers returning from Kuwait and Iraq;

3. Appeals to all States on an urgent basis to provide immediate technical, financial and material assistance to Sri Lanka to mitigate the adverse impact on its economy of the application by Sri Lanka of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialized agencies of the United Nations system, including the international financial institutions and the regional development banks, to review their programmes of assistance to Sri Lanka with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of Sri Lanka and to report thereon to the Security Council.

READEX FICHE

Enclosure

Revised memorandum, dated 30 November 1990, on the adverse economic and other consequences resulting from the imposition of sanctions under Security Council resolution 661 (1990) a/

[Original: English]

On 5 September 1990, Sri Lanka submitted to the Security Council a memorandum covering the period ending 31 December 1990 setting out the adverse repercussions following the imposition of sanctions under Security Council resolution 661 (1990) (see S/21710, annex). However, as the problem seems unresolved and is likely to remain so for an indeterminate period, it has become necessary to revise the original memorandum. A revision was also necessitated by the fact that increases in the price of oil have exceeded original forecasts. This revised memorandum addresses both of those factors.

Sri Lanka has an open economy, which to a great extent depends on the performance of imports and exports, both of which are presently under severe stress owing to internal as well as external factors. The imposition of sanctions under Security Council resolution 661 (1990) has further aggravated this situation. This development will in turn lead to severe economic hardships as well as political and social instability.

Sri Lanka is currently engaged in combating terrorism and a substantial amount of its resources is being diverted for this purpose. Terrorism in Sri Lanka, which has threatened the well-entrenched democratic way of life and governance and the territorial integrity of the country, has retarded economic growth. The decline in resources for economic growth will in turn further weaken Sri Lanka's ability to counter this. Further, other priority sectors, which are equally important in providing the basic needs of the people, will be deprived of much-needed resources. A consequence of this would be continued political and social instability.

The adverse effects consequent on the observance of the sanctions are particularly felt in the following areas.

A. Export of tea

Tea is the second largest source of foreign exchange earnings and accounted for 15 per cent of total current account receipts in 1989. The Middle East absorbs approximately 55 per cent of tea exports. Iraq and Kuwait together accounted for around 12.15 per cent of the total exports and Iraq has been the second largest buyer of Sri Lankan tea. Consequent on the loss of the market in these two countries, Sri Lanka experienced a fall in tea prices owing to a lack of demand from a major buyer.

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a/ S/21984, annex I.

In the second half of 1989, the value of tea exported to Iraq and Kuwait was $US 25.6 million and $5.7 million, respectively. The general oversupply of tea on the world market will drastically reduce Sri Lanka's earnings from tea owing to a decline in prices. In 1991, the decline in the tea export price from $2 to $1.20 per kilogram would imply a drop in earnings of $37 million. In 1992 and 1993, prices are projected to remain 13 per cent below the originally expected price - about $60 million less in total earnings than projected earlier. The indirect effects of a fall in prices would amount to another $15 million per year.

B. Other exports and imports

The total value of other exports to Iraq and Kuwait in 1989 was around $1 million. This market is completely closed to Sri Lankan exports since the eruption of the Gulf crisis. The loss of export markets can in no way be compensated for by a redirection of exports because of limited market accessibility and the prohibitive cost of breaking into new markets in an environment of protection.

C. Remittances by Sri Lankan expatriates in the Middle East

It is estimated that over 100,000 Sri Lankans were employed in Kuwait and a sizeable number in Iraq. While worker remittances from abroad are the third largest foreign exchange earner and were estimated at $360 million for 1991, remittances from Kuwait and Iraq constituted a fair share of the total, estimated at about $90 million annually.

The steady flow of remittances from these expatriates cushioned the adverse impact of the increase in oil prices.

This cushion no longer exists.

The loss of income-generating capacity from worker remittances cannot be limited to the dollar value of its loss. The sustenance of deperdants, increases in national savings, enhanced investment activities and the growth of entrepreneurship at the small-scale enterprise level have now been greatly reduced. The impact can be seen in the decline in the activities of financial institutions as a result of the decline in savings and a reduction of their capacity to recover loans that have been financed on the understanding that there will be a steady flow of foreign remittances.

Based on the above assumption, the impact of the loss of remittances, excluding indirect repercussions, is expected to be $53 million in 1990. The overall impact in 1991, 1992 and 1993 is expected to be $207 million, $193 million and $125 million, respectively.

D. Price of crude oil

The anticipated increase in the cost of crude oil imports over the estimate made prior to the Gulf crisis, despite a 9 per cent reduction in volume, is $58.4 million for 1990. The average price of Sri Lanka's crude oil imports for the balance of the year is estimated at $32 per barrel, which is more than 50 per cent higher than the prices prevailing during the first half of the year. This increase is mainly a result of a shortfall created by the removal of Iraqi and Kuwaiti oil from the market. The average for 1991 is assumed to be $29 per barrel. In 1991, the impact will be felt fully and the bill for crude oil imports is expected to go up from $246 million to $377 million. The impact of this increase in 1991 is expected to be $131 million. The oil price shock has several indirect effects on other prices. Apart from an increase in import prices, there will be a general rise in local costs. Transportation costs have already risen. Marginal enterprises are likely to go out of business and industrial production will slacken.

E. Inflation and economic growth

Sri Lanka is already experiencing inflation, an average annual rate of 18.7 per cent. The impact of the escalation of the price of oil on Sri Lanka's import prices will add further pressure on inflation and raise the cost of industrial production. In the context of continuing inflationary pressure, the monetary policies will no doubt remain tight but this will lead to slower economic growth.

F. Socio-economic conditions

With the large-scale return to Sri Lanka of displaced workers from the Middle East, the high unemployment rate in the country, estimated at around 18 per cent, will be further aggravated. This could result in a reduction in the quality of life of lower-income groups of the population owing to the considerable reduction in remittances received from family members employed overseas. There could also be an adverse social impact on account of readjustment problems faced by the workers returning from the Middle East who have become accustomed to a different lifestyle based on high-income levels enjoyed overseas. The cost of rehabilitating the returning migrant workers is still to be fully determined. The cost of the repatriation of Sri Lankan workers from the Gulf financed by external assistance has not yet been fully determined, but is estimated to be $25 million. In addition to this, Sri Lanka has up to now incurred expenditure amounting to $5 million.

G. Overall economic situation

Sri Lanka is currently in the process of implementing an economic restructuring programme in collaboration with the International Monetary Fund (IMF), the World Bank and other multilateral donor agencies. The recent escalation of terrorist activities is already adding pressure on the operation of the restructuring programme. Compliance with resolution 661 (1990) will take these

programmes further off course. The restructuring programme was based on the optimistic estimates of the earnings from tea exports and expatriate worker remittances, as well as the continuation of normal trends in respect of fuel prices, etc. The unexpected fall in foreign exchange earnings combined with the increase in the price of imports will have severe adverse implications on the balance of payments and economic stability of Sri Lanka and thereby impose severe constraints on the working of the programme.

* * *

The cumulative effect of compliance with the Security Council resolution is not easily quantifiable. The invisible and indirect consequences and the time-span are equally important in gauging the overall effect of the sanctions on society as a whole.

Further, the impact of sanctions on an economy such as that of Sri Lanka, which is experiencing severe constraints, will be far more damaging than on a strong or larger economy capable of absorbing losses arising out of compliance with the sanctions.

Sri Lanka has been severely affected by the Gulf crisis because of several factors. Apart from the loss of a growing and lucrative tea market and the loss of remittances from migrant workers, the savings and investment capabilities of Sri Lankans have been reduced owing to reduced income generation. Additionally, the negative multiplier effects of the loss of income have an adverse impact on small-scale enterprises, finance companies and wholesale and retail businesses. Further, the returnees from Kuwait and Iraq will add to the unemployment problem, with adverse social consequences. Above all, the upsurge in oil prices puts tremendous pressure on the balance of payments, which is already under severe strain. The oil price increase alone is expected to increase Sri Lanka's external payments by as much as 20 per cent of export earnings. In addition, the increased air fares, together with higher insurance costs, will reduce tourist income while increased freight charges will raise prices of imports to Sri Lanka.

On the above basis, the impact of the Gulf crisis during the period from August 1990 to the end of 1993 is expected to be well beyond $1 billion. With all the ongoing readjustment efforts, the economy is not in a position to absorb a loss of revenue of this magnitude and to continue with its economic programmes, even at minimum levels, unless substantial economic assistance is made available to cushion these losses. If this assistance is not forthcoming Sri Lanka will suffer irreparable political, economic and social consequences.

Hence, the Security Council is requested to take immediate action to facilitate the mobilization of resources from bilateral, multilateral and other sources.

Annex II

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to Yemen

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communications received from Yemen under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by Yemen a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990) and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of Yemen,

Expressing concern at the special economic problems confronting Yemen, a least developed country, as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), which are particularly difficult in terms of its commercial and financial losses, as well as costs associated with the repatriation and rehabilitation of Yemeni expatriates,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by Yemen, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of Yemen for the measures it has taken to comply with resolution 661 (1990);

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a/ S/21615 and S/21748.

2. Recognizes the urgent need to assist Yemen in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered Yemeni products to Iraq and Kuwait and undelivered oil shipments from Iraq and Kuwait, as well as costs associated with the repatriation and rehabilitation of Yemeni expatriates;

3. Appeals to all States on an urgent basis to provide immediate technical, financial and material assistance to Yemen to mitigate the adverse impact on its economy of the application by Yemen of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialized agencies of the United Nations system, including the international financial institutions and the regional development banks, to review their programmes of assistance to Yemen with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of Yemen and to report thereon to the Security Council.

Enclosure I

Letter dated 9 September 1990 from the Minister for Foreign Affairs of Yemen addressed to the Secretary-General a/

[Original: Arabic]

1. I have the honour to inform you that, as a member of the international community, the Republic of Yemen is aware that the resolutions of the Security Council are of a binding character. Our representative to the Security Council has already expressed commitment to Council resolution 661 (1990), and we should here like to affirm that the Republic of Yemen has adopted appropriate measures to comply with its provisions.

2. After careful study of the present and future impact of compliance with the resolution, the competent authorities have determined that there have been harmful consequences for the national economy and grave economic difficulties for Yemen and its population which will be aggravated as a direct result of such compliance. This situation constitutes one involving "special economic problems" under the terms of Article 50 of the Charter of the United Nations. In this connection, permit me to call your attention to the far-reaching relations that have linked our country with both Iraq and Kuwait and to the degree of Yemeni economic dependence on the refining of Iraqi and Kuwaiti petroleum, on expatriate remittances and on the assistance, grants and loans accorded to it by those two countries. The extent of that dependence can be gauged from the attached memorandum.

While my Government is most desirous of meeting its obligations under the Charter in good faith, at the same time it realizes the enormity of the burdens imposed on Yemen by compliance with resolution 661 (1990). By virtue of the present letter it officially requests that the Security Council enter into consultations, on an urgent basis, with a view to finding a solution to the problems that will arise out of the implementation of measures under Chapter VII of the Charter.

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a/ S/21748, annex I.

Enclosure II

Memorandum on the economic and financial impact on the Republic of Yemen as a result of the imposition of restrictions on economic relations with Iraq and Kuwait a/

[Original: Arabic]

This memorandum explains the economic losses that Yemen has already suffered and will continue to suffer as a result of the imposition of restrictions on trade and on transactions in the services and financial sectors with Iraq and Kuwait.

These losses can be classified under the following headings:

Refining of Iraqi and Kuwaiti petroleum at the Aden refinery, and easements accorded by Iraq and Kuwait to Yemen with respect to petroleum for domestic consumption.

Annual grants provided by Iraq and Kuwait in support of the budget.

Assistance and donations for the funding of projects.

Exports to Iraq and Kuwait.

Concessional loans from the Arab Fund for Economic and Social Development (AFESD) and the Kuwait Fund for Arab Economic Development (KFAED).

Remittances from Yemenis working in Kuwait and Iraq.

Compulsory repatriation of Yemeni expatriates in Kuwait.

1. Refining of Iraqi and Kuwaiti petroleum at the Aden refinery, and easements accorded by Iraq and Kuwait to Yemen with respect to petroleum for domestic consumption

Yemen has contractual ties with both Iraq and Kuwait for the refining of petroleum at the Aden refinery. Any commitment not to refine Iraqi and Kuwaiti petroleum, as required by the contracts in effect, would cause large-scale losses, exemplified by the loss of refining fees and port fees, the costs of the unemployment arising out of the suspension of these contracts and the cost of the interest payments that we should have to assume as a result of the failure to utilize Iraqi and Kuwaiti easements relating to petroleum for domestic consumption. This represents a loss in the order of $39,994,675 for the remainder of 1990. Under the contracts in force, the loss would rise to some $219,663,000 in 1991.

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a/ S/21748, annex II.

We should further like to indicate here that the quantity of petroleum for the refinement of which contracts have been concluded with Iraq and Kuwait for 1990 is as follows:

Iraq: 2.5 million tons.

Kuwait: 1 million tons.

For both Iraq and Kuwait, this quantity would increase in 1991 to 6 million tons, since contracts have already been concluded with Iraq on refining 5 million tons in 1991, including 2.5 million tons in accordance with the agreement with the Iraqi party allocating this quantity for the domestic consumption of petroleum products, on the understanding that the cost of the shipments purchased would be paid one year after the date of delivery.

2. Annual grants provided by Iraq and Kuwait in support of the budget

Yemen receives regular annual financial support for certain items in its budget from both Iraq and Kuwait, in the following manner:

Iraq

$50 million a year. The remaining allocation of such support for 1990 is $25 million. The loss for 1990 will therefore be $25 million and, in 1991, the loss will increase to $50 million.

Kuwait

$18,336,203 a year, principally in support of university-level and general education services and health care. These amounts have been subject to an annual increase in accordance with the increasing costs of the services that they fund.

3. Assistance and donations for the funding of projects

Both Iraq and Kuwait implement various projects on a regular annual basis, and current financial obligations for projects under implementation are as follows:

Iraq

$70 million for the implementation of a project for a conference centre, a five-star hotel, large meeting halls and their ancillary services.

Kuwait

$8,643,555 for the construction, repair and development of hospitals.

4. Exports

Yemen's non-petroleum commodity exports for 1990 are estimated at $201 million. Most of these exports are products of the agriculture and fisheries sector, and it had been anticipated that exports to Iraq and Kuwait would reach more than $100 million. With a halt to exports to Kuwait and Iraq, the anticipated losses for the last five months of 1990 are estimated at $42 million. It had been anticipated that, in 1991, such exports would increase at a rate of between 15 and 20 per cent. The sharp drop in the exportation of goods will have an impact on the balance of trade and on economic activity, and unemployment in Yemen, which is already very high, will increase with the influx of expatriates returning from Kuwait.

5. Concessional loans from AFESD and KFAED

Total unutilized loans for projects under implementation or definitively agreed upon are in the order of $US 396,450,000, broken down as follows:

1.	KFAED	$108 000 000
2.	AFESD (based in Kuwait)	$288 450 000
	Total	$396 450 000

Reference should here also be made to the fact that the actual losses may exceed the amounts mentioned above since most of the loans in question represent a share in the funding of projects in which other sources of funding also participate so that, with the loss of financing from the two Funds, other sources of funding are also likely to be lost. The above figure also does not include other project funding arrangements with the two Funds on which agreement had been reached but with respect to which the constitutional procedures for ratification had not been completed, some of which had been in the final stages of consideration.

6. Remittances from expatriates

The national economy will be affected by greater disequilibrium in the balance of payments because of the suspension of remittances from Yemeni expatriates working in Kuwait, which amount to some $250 million. The authorities concerned also estimate that further reductions in remittances from expatriates in other areas of the Gulf because of recent developments in the region will lead to the loss of at least another $150 million.

7. Compulsory repatriation of expatriates from Kuwait

The number of Yemeni expatriates in Kuwait was about 35,000, most of whom have now returned. This is causing an increasingly severe unemployment problem and imposes on the State additional costs and problems in their absorption and in providing them with assistance as a result of the loss of their incomes. In another respect, the influx of returnees continues to involve an enormous financial outlay on transport, since the State has assumed the costs of their homeward travel. It is clear from the foregoing that the direct consequences of the country's compliance with the implementation of resolution 661 (1990) will cost it not less than $1.384 billion.

All of the losses set forth above will also give rise to other, indirect losses in terms of the performance of the national economy as a whole and the enormous difficulties that the Yemeni balance of payments will face at a delicate stage of our history in which we are encountering great economic difficulties and assuming great burdens. Such losses will be exemplified in increasing unemployment, the failure to implement projects and their increased cost, increasing burdens on the general State budget and a fall in the level of interaction with the economies of neighbouring countries. Losses arising out of such indirect effects are estimated at $300 million.

Accordingly, the imposition of the embargo will place burdens on the Yemeni economy that it will be unable to sustain. The Republic of Yemen therefore calls for the provision of the following:

1. The crude oil necessary to ensure the functioning of the Aden refinery at its planned level of operation and on the same terms as previously.

2. Petroleum for domestic consumption on preferential terms.

3. Grants to compensate for those previously provided by Iraq and Kuwait whether in support of the budget or in order to finance projects and ensure their implementation.

4. Long-term concessional loans in order to ensure the implementation of those projects that were being financed by KFAED and AFESD.

5. Concessional loans and other sources of support in order to overcome the anticipated sharp fall-off in the external sector as a result of reduced remittances from expatriates and the drop in exports and with a view to curtailing the negative impact of this situation on the level of performance of the national economy.

Annex III

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to Czechoslovakia

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communications received from Czechoslovakia under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by Czechoslovakia a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990) and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of Czechoslovakia,

Expressing concern at the special economic problems confronting Czechoslovakia as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), which are particularly difficult in terms of commercial and financial losses incurred by Czechoslovakia,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by Czechoslovakia, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of Czechoslovakia for the measures it has taken to comply with resolution 661 (1990);

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a/ S/21750, S/21837 and S/AC.25/1990/9.

2. Recognizes the urgent need to assist Czechoslovakia in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered Iraqi oil shipments to Czechoslovakia in payment for outstanding debts incurred by Iraq towards Czechoslovakia and other financial and commercial losses;

3. Appeals to all States on an urgent basis to provide immediate technical, financial and material assistance to Czechoslovakia to mitigate the adverse impact on its economy of the application by Czechoslovakia of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialized agencies of the United Nations system, as well as the international financial institutions and the regional development banks, to provide assistance to Czechoslovakia with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of Czechoslovakia and to report thereon to the Security Council.

Enclosure I

Letter dated 2 October 1990 from the Permanent Representative of Czechoslovakia to the United Nations addressed to the President of the Security Council a/

[Original: English]

I have the honour to reiterate again that the Czech and Slovak Federal Republic fully supports and strictly complies with all the Security Council resolutions concerning the situation between Iraq and Kuwait. The Government, as stated before, has undertaken the corresponding steps and measures aimed at ensuring that all Czech and Slovak institutions and organizations fully adhere to the provisions of those resolutions.

However, this position in support of the international solidarity against the flagrant violation of the Charter of the United Nations and of other international legal norms by Iraq entails a considerable economic impact on the Czechoslovak economy. At a time when my country is following the path of democratic social transformation and fundamental economic reforms, the increasing losses incurred in the wake of the implementation of Security Council resolution 661 (1990) constitute a threat to the successful transition to the principles of a market economy.

As stated in the letter of the Minister for Foreign Affairs, Mr. Jiří Dienstbier (see S/21750), the overall losses are estimated at about $US 2 billion.

1. Direct economic loss

A. The freezing of outstanding claims against Iraq as of 31 December 1990 in the total amount of $US 400 million.

A contract has already been concluded with Iraq for oil deliveries in 1990 as a compensation for outstanding claims in the amount of $US 44 million. Besides, the Iraqi side was willing to compensate the remaining outstanding claims by gradual oil deliveries (in 1990 in the amount of an additional $US 100 million).

B. Other claims, which will become payable in subsequent years, in the amount of $US 150 million.

C. Suspension of the contracts already in effect, as follows:

- Engineering plant in Daura, in the amount of $US 82 million,

- Isomerization plant in Baiji, in the amount of $US 18 million,

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a/ S/21837, annex.

- Ceramics plant in Ramadi, in the amount of $US 42 million,

- Oil refinery in Stred, in the amount of $US 185 million,

- Tractor parts manufacturing plant, in the amount of $US 45 million,

- Other contracts in the amount of $US 20 million.

The above combined loss incurred by Czechoslovakia amounts to $US 392 million (note: most equipment for the aforementioned ventures has already been produced).

D. Other unspecified direct loss as a result of open contracts being at an advanced stage of preparation, in the approximate amount of $US 300 million.

The total direct loss for the Czechoslovak economy amounts to more than $US 1.1 billion.

2. Indirect economic loss

A. An increase of oil prices by $US 1 per barrel represents a loss of $US 100 million per year. Thus, the estimated minimum loss would be between $US 400 million and $US 600 million per year for the Czech and Slovak Federal Republic.

B. The estimated internal impact (including possible close-outs of production enterprises) on the Czechoslovak economy amounts approximately to $US 400 million per year.

Thus the total indirect loss incurred by the Czechoslovak economy amounts approximately to $US 1 billion.

Czechoslovakia expects that the Security Council Committee established by resolution 661 (1990) will work out and submit to the Security Council in a very short time recommendations that will help partially to eliminate in a concrete manner the losses of the most affected countries.

I should be grateful if the text of this letter could be circulated as a document of the Security Council.

Enclosure II

Letter dated 19 November 1990 from the Permanent Representative of Czechoslovakia to the United Nations addressed to the President of the Security Council a/

[Original: English]

I have the honour to reaffirm that the Czech and Slovak Federal Republic has adopted concrete measures aimed at strict implementation of Security Council resolution 661 (1990), which are contained, inter alia, in Security Council document S/AC.25/1990/9. However, this position entails considerable negative consequences for the Czechoslovak economy exactly at the time of a resolved transition to the principles of market economy. Therefore, the Czech and Slovak Federal Republic has exercised its right and consulted, in accordance with Article 50 of the Charter, on the possibilities of alleviating its economic losses.

Following up to my letter of 2 October 1990 (S/21837), I wish to present some additional information in this regard:

(In United States dollars)

Loss incurred in 1990

Frozen assets of Czechoslovak foreign trade corporations in Iraq and Kuwait	586 million
Failed contracts due to the embargo	403 million
Effects of oil price increases on Czechoslovak balance of payments in feeely convertible currencies	592 million
Total	1 581 billion

The overall value of contracts under preparation with Iraq and Kuwait is estimated to be 2 billion Czechoslovak koruny (about $US 120 million).

Loss in 1991

The minimum estimated loss for 1991 caused by increased oil prices is $US 1 billion.

I should be grateful if the text of this letter could be circulated as a document of the Security Council.

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a/ S/22019.

Annex IV

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to Poland

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communications received from Poland under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by Poland a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990) and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of Poland,

Expressing concern at the special economic problems confronting Poland as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), which are particularly difficult in terms of commercial and financial losses incurred by Poland,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by Poland, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of Poland for the measures it has taken to comply with resolution 661 (1990);

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a/ S/21808, S/21918 and S/AC.25/1990/41.

2. Recognizes the urgent need to assist Poland in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered Iraqi oil shipments to Poland in payment for outstanding debts incurred by Iraq towards Poland and other financial and commercial losses;

3. Appeals to all States on an urgent basis to provide immediate technical, financial and material assistance to Poland to mitigate the adverse impact on its economy of the application by Poland of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialized agencies of the United Nations system, as well as the international financial institutions and the regional development banks, to provide assistance to Poland with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of Poland and to report thereon to the Security Council.

Enclosure I

Memorandum dated 20 September 1990 by the Government of the Republic of Poland for the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait on losses sustained by Poland resulting from the application of economic sanctions on Iraq a/

[Original: English]

The Council of Ministers of the Republic of Poland, in full support of Security Council resolution No. 661 of 6 August 1990, and overwhelmed by the resolve to implement its provisions, adopted a decree suspending all trade turnover and financial flow with Iraq as of 13 August 1990. In fact, the trade turnover suspension had been introduced earlier, almost immediately following the adoption of the said resolution. Also, sea and air transport communications were suspended thereafter.

The implementation of the above resolution has serious social and economic implications for Poland, as Iraq had for many years been Poland's major trading partner among Near and Middle Eastern countries. Since Poland belongs to heavily indebted countries, these implications are even more painful.

The Government of the Republic of Poland presents below the estimated direct and indirect losses resulting from Poland's participation in international sanctions against Iraq. Their full and long-term estimate is still being completed and will be presented separately at a later date.

Losses incurred by Poland, in the opinion of the Government, should be considered in the context of the country's dramatic economic and social situation, and in view of the extensive programme of radical reforms, under way for almost a year. The reforms are being carried out with the assistance of the international community, world financial institutions (IMF, WB) as well as a number of States (the Group of 24) who have addressed direct assistance to Poland. The introduction by the Government of restrictive monetary and financial policy, following the advice by United Nations specialized agencies has already contributed to bringing down the rate of inflation. The property and structural changes which have been initiated and which require great financial outlays, are expected to contribute to increasing economic efficiency. However, the Polish nation has been paying a very high price for those implemented changes. The 30 per cent drop in production and a similar drop in the already low living standards, and almost a million unemployed undermine further success of the reforms. Their realization - in the opinion of the Government of Poland - depends, to a considerable extent, on external factors, including stable co-operation and economic exchanges with abroad.

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a/ S/21808, annex.

Meanwhile, changes in the conditions of trade with the Soviet Union, including limitations in the supply of crude oil and the shift to convertible currency accounts have aggravated the country's balance of payments. In this situation Iraq was expected to be an increasingly important oil supply source for Poland (circa 1.3 million tonnes by the end of this year in repayment for the debts owed by Iraq to Poland).

Last year, turnover with Iraq reached 367 million USD. Nevertheless, the network of economic ties with the country, developed over a period of many years, was based not only on the commodity trade exchange but also on important investment contacts entered upon by Polish companies individually, or as subcontractors, with large-scale financial and material inputs, the loss of which is particularly severe.

At the beginning of the conflict, 3,700 Polish nationals were employed on Iraq and Kuwaiti territory, of whom 1,700 had returned home on an emergency as by 14 September.

General losses are estimated at ca 2.4 billion USD.

In the short run, most perceptible is the suspension of payment of Iraqi debts to Poland, amounting to over 500 million USD. This means also the suspended delivery of 750,000 tonnes of crude oil which was to be supplied by the end of this year, and apparently no further deliveries in the years to come. Considering sharply increased oil prices, it means that Poland will have to spend an additional 170 million USD before the end of this year. Further costs of the trade embargo on Iraq and occupied Kuwait total:

- immediately perceptible by companies lost export values - 219 million USD
- financial loss in bank accounts, advance payments, guarantees for arrears, others - 183 million USD
- rolling contracts at signature stage, for the carrying out of which contractors had assembled equipment and ordered supplies - 1 515 million USD

The above list does not include the values of machinery, equipment, means of transport as well as other properties and possessions left by Polish enterprises in Kuwait, as well as their decapitalization, the degree of which will depend on the duration of the conflict. Also, the possessions left by Polish nationals in Iraq and Kuwait have not been taken into account, nor potential transfers of their savings and of bank deposits, due to the emergency departure for the home country, nor evacuation costs. It was also not possible to present from the quantitative angle the negative implications of severed economic links on the companies which were largely dependent on exports to the Iraqi market.

Considering the above, the Government of the Republic of Poland has repeatedly expressed its concern about the negative, multi-faceted and long-term consequences of the crisis in the Persian Gulf which would constitute a serious threat to the economic development of the country. Favourable changes in the Polish economy as well as the process of reforms might be slowed down. Liquid fuel prices increase threatens a revival of inflation, halted with such difficulty and at such high social cost. Envisaged implications for the Polish balance of payments in a situation where indebtedness will reach 43 billion USD by the end of 1990, the bankruptcies of enterprises (including those involved in investments in Iraq and Kuwait) as well as a sharp rise in the price of fuels may have grave consequences both in the economic and political sphere.

Their impact on the unprecedented peaceful process of democratic reforms and market transition in Poland taking into account their importance for all the countries of Central and Eastern Europe, might influence negatively the security and stability of the entire subregion. While the economic consequences of the crisis are relatively easy to estimate, the political and the social ones are difficult to access and - according to the records of the session of the Council of Ministers held on 13 August - Government is following them with utmost concern.

The Government of the Republic of Poland expresses its hope that the international community will show understanding for the particularly unfavourable situation in which Poland has found herself for the reasons beyond her control as a result of the conflict, and that it will contribute - by decisions of the Security Council and other competent international bodies - to alleviate the wide-scale consequences of our country's participation in the sanctions imposed by the United Nations Security Council, taking relevant immediate and long-term measures, including writing off a part of the Polish debt.

Poland counts therefore on international solidarity to offset the losses sustained by the States which are paying a high social and economic price at home for implementing the decisions of the Security Council. The Government of the Republic of Poland strongly supports the decisions of the Council charging its Special Committee with the task of investigating the losses sustained by Member States of the Organization as well as recommending measures to alleviate their losses. We expect that an international mechanism will soon be elaborated and agreed upon to ease the lot of most severely affected countries thus to demonstrate - in making - international solidarity to all the victims of the conflict.

Enclosure II

Reply of the Polish Government to the questionnaire on the national measures relating to the implementation of Security Council resolution 661 (1990) a/

[Original: English]

1. Legislative framework

(a) (i) The Polish Customs Law of 28 December 1989 (Journal of Laws No. 75, item 445 of 1989);

(ii) The Polish Law on Foreign Exchange Regulations and the Penal-Fiscal Act of 26 October 1971;

(b) No new legislation has been enacted;

(c) (i) The Council of Ministers Regulation of 13 August 1990 concerning the temporary ban on trade with Iraq and Kuwait;

(ii) The resolution of the Council of Ministers of the Republic of Poland dated 13 August 1990 on the implementation by the organs of State administration of Security Council resolution 661 (1990) of 6 August 1990 concerning the armed conflict between Iraq and Kuwait.

2. Control of imports or activities that would promote or are calculated to promote imports or trans-shipments of goods from Iraq and Kuwait

(a) Ministers, organs of State administration (heads of central organs of State administration) and governors of the provinces (voivodes) are under the obligation to undertake, within the scope of their competence, all necessary action aimed at ensuring the implementation of Security Council resolution 661 (1990). Supervision of the implementation of the resolution is vested with the Minister of Foreign Economic Relations in consultation with the Minister for Foreign Affairs;

(b) A ban was instituted on:

(i) The introduction into Poland of any commodities or products originating in, or coming from, Iraq or Kuwait;

(ii) The export from Poland to the said countries of any commodities or products originating in, or coming from, Poland.

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a/ S/AC.25/1990/41.

Excluded from the application of the above measures are:

(i) Commodities and products intended strictly for medical purposes as well as foodstuffs supplied out of humanitarian considerations;

(ii) Commodities or products that originate in, or come from, Iraq or Kuwait and were exported before 7 August 1990.

Positions 30 and 44 were deleted from annex 5 of the Council of Ministers Regulation of 30 December 1989 regarding customs duties on commodities imported from abroad (Journal of Laws No. 75, item 448).

3. Control of exports or activities that would promote or are calculated to promote sales or supply of products and commodities to Iraq and Kuwait

(a) The same authorities as those named in paragraph 2 (a) above are responsible for implementing the control of such exports or activities as required by Security Council resolution 661 (1990);

(b) The same measures as those specified in paragraph 2 (b) above apply.

4. Control of financial or economic resources

(a) There is an effective system of control to prevent transfers of financial or economic resources covered by Security Council resolution 661 (1990) under the relevant provisions of the Polish Law on Foreign Exchange Regulations and the Penal-Fiscal Act of 26 October 1971;

(b) No specific legislative measures were necessary as the Minister for Finance is under the obligation to undertake all necessary action aimed at ensuring the implementation of Security Council resolution 661 (1990).

5. Enforcement

In the case of breaches of Security Council resolution 661 (1990) by individuals and companies, enforcement provided by the appropriate regulations of Polish Law will be applied.

In the specific case of unauthorized import or export of goods, the enforcement foreseen in the Polish Customs Law will be applied. As regards unauthorized movement of funds, penalties will be administered in accordance with the relevant provisions of the Polish Law on Foreign Exchange Regulations and the Penal-Fiscal Act of 26 October 1971.

6. Other

(a) In a memorandum dated 20 September 1990 the Government of Poland informed the Security Council Committee that the implementation of resolution 661 (1990) had serious social and economic implications for Poland, as Iraq had for many years been Poland's major trading partner among the Near and Middle Eastern countries.

These implications are particularly painful since Poland belongs to the heavily indebted countries. The losses incurred by Poland have a highly negative impact on the process of fundamental economic change that is currently taking place in this country. According to latest calculations, Poland estimates its losses at approximately $US 2.9 billion;

The Government of Poland is confident that the Security Council will make the necessary recommendations enabling Poland to overcome these difficulties;

(b) See items 1, 2 and 3;

(c) No specific measures to protect the assets of the legitimate Government of Kuwait were necessary owing to the absence of any such assets in Poland.

Annex V

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to Mauritania

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communications received from Mauritania under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by Mauritania a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990) and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of Mauritania,

Expressing concern at the special economic problems confronting Mauritania, a least developed country, as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), which are particularly difficult in terms of commercial and financial losses incurred by Mauritania,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by Mauritania, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of Mauritania for the measures it has taken to comply with resolution 661 (1990);

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a/ S/21789, S/21818, S/AC.25/1990/20 and S/AC.25/1990/39.

2. Recognizes the urgent need to assist Mauritania in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from suspended capital flows from Kuwait and other commercial and financial losses;

3. Appeals to all States on an urgent basis to provide immediate technical, financial and material assistance to Mauritania to mitigate the adverse impact on its economy of the application by Mauritania of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialized agencies of the United Nations system, including the international financial institutions and the regional development banks, to review their programmes of assistance with Mauritania with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of Mauritania and to report thereon to the Security Council.

Enclosure

Letter dated 24 September 1990 from the Minister for Foreign Affairs and Co-operation of Mauritania addressed to the Secretary-General a/

[Original: French]

Pursuant to my letter No. 1077 of 18 September 1990, by which I assured you of the determination of the Islamic Republic of Mauritania to comply with the provisions of Security Council resolution 661 (1990), I have the honour to set out below the problems which the Islamic Republic of Mauritania faces as a result of the implementation of that embargo, taking into account Mauritania's economic and financial relations with Iraq and Kuwait.

I. RELATIONS WITH IRAQ

1. While trade relations with Iraq were relatively insignificant, a $5 million contract was to have been carried out for the delivery of fish, exports of which would have amounted to $10 million.

2. In addition, Mauritania and Iraq were involved in joint ventures in the fishing industry (capital of $20 million) and the mining industry (capital of $70 million); the investment and export programmes for these ventures will be deferred, resulting in a loss of jobs and major funding.

3. Iraq was providing Mauritania with a subsidy and various forms of assistance equivalent to $100 million (training, technical assistance, medicines, agricultural equipment, school supplies, etc.).

4. Transfers from Mauritanian workers in Iraq amounted to $3 million.

The embargo against Iraq will thus cause Mauritania to suffer a loss the direct effects of which will cost $63 million, a figure that could reach $100 million if other effects on the economy are taken into account.

II. RELATIONS WITH KUWAIT

1. Traditionally, Kuwait has been one of the most important donors to Mauritania: current projects being financed by the Kuwaiti Fund for Arab Economic Development and projects for which Fund resources have been committed total $37.85 million and $49.1 million respectively. If the effect of the embargo on the Arab Fund for Economic and Social Development (AFESD), with headquarters in Kuwait, is also taken into consideration, these figures reach $125.7 million and

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a/ S/21818, annex.

$132.9 million respectively, or a total of $258.6 million, which accounts for 40 per cent of the country's total investment programme. Moreover, the Inter-Arab Investment Guarantee Corporation was to have underwritten a major programme for the renovation of Mauritania's fishing fleet costing nearly $50 million.

The drying up of this financial flow as a result of the embargo has an impact that goes far beyond mere numbers, since, in the final analysis, it is the development of Mauritania's very economy that is being sold short, particularly when one considers that such financing is often combined with financing from other sources. The halting of flows from Kuwait casts doubts on the availability of a significant portion of flows from other sources.

2. Kuwait also invested in Mauritania through joint ventures in real estate, the mining industry and processing industries; cutting off the influx of capital to joint ventures will stop their development programmes, eliminating even more jobs. Total unpaid capital stands at $16 million.

Moreover, the effect of the embargo on the increase in crude oil prices has already caused Mauritania's oil b[illegible] to rise by $15 million, and this will no doubt be followed by a rise in domestic prices and the price of imported goods.

3. Trade with Kuwait is relatively limited and involves primarily silver, gold and gems. Kuwaiti charity organizations provided assistance through official and unofficial channels totalling $5 million.

Losses sustained in 1990 as a result of the embargo against Kuwait will total $127 million as a result of direct effects and $329 million when other effects on the economy are taken into account.

- In conclusion, the consequences of implementing the embargo will be serious for a country as poor as Mauritania, which must also face the problem of desertification.

- Mauritania's development programme will be interrupted and all the adjustments the country has undertaken for nearly six years will be called into question.

- There will be a significant rise in unemployment as enterprises are closed and/or dozens of projects are halted.

- The disequilibrium in the balance of payments will grow more pronounced: net flows from Iraq and Kuwait were largely positive.

There is thus reason to fear that the programme to rehabilitate the Mauritanian economy cannot be carried out according to schedule unless special assistance to offset lost aid can be secured. It is for this reason that, in accordance with Article 50 of Chapter VII of the Charter of the United Nations, which stipulates that, "if preventive or enforcement measures against any state are taken by the Security Council, any other state, whether a Member of the United Nations or not, which finds itself confronted with special economic problems

arising from the carrying out of those measures shall have the right to consult the Security Council with regard to a solution of those problems", the Government of the Islamic Republic of Mauritania deems it necessary to request the Security Council to help it find solutions that will safeguard the economic and social interests of Mauritania.

Annex VI

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to Pakistan

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communications received from Pakistan under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by Pakistan a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990) and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of Pakistan,

Expressing concern at the special economic problems confronting Pakistan as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), which are particularly difficult in terms of its commercial and financial losses, as well as costs associated with the repatriation and rehabilitation of Pakistani workers returning from Iraq and Kuwait,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by Pakistan, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of Pakistan for the measures it has taken to comply with resolution 661 (1990);

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a/ S/21734, S/21776, S/21832, S/21875 and S/AC.25/1990/65.

2. Recognizes the urgent need to assist Pakistan in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered oil shipments from Iraq and Kuwait and other commercial and financial losses, as well as costs associated with the repatriation and rehabilitation of Pakistani workers returning from Iraq and Kuwait;

3. Appeals to all States on an urgent basis to provide immediate technical, financial and material assistance to Pakistan to mitigate the adverse impact on its economy of the application by Pakistan of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialized agencies of the United Nations system, including the international financial institutions and the regional development banks, to review their programmes of assistance to Pakistan with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of Pakistan and to report thereon to the Security Council.

Enclosure I

Memorandum on economic and financial impact on Pakistan, resulting from restrictions on economic relations with Iraq and Kuwait a/

[Original: English]

The implementation of United Nations Security Council resolution 661 (1990) has had an immediate and adverse impact on Pakistan's economy. The following are the direct consequences for Pakistan's economy:

(1)	Evacuation and rehabilitation of Pakistanis	$ 70 million
(2)	Loss of home remittances	$300 million
(3)	Loss of export receipts	$100 million
(4)	Increase in the price of oil	$600 million

1. Evacuation and rehabilitation of Pakistanis

Official assessment indicates that 100,000 Pakistanis in Kuwait and Iraq have to be evacuated. About 10,000 Pakistanis are expected to travel back to Pakistan by their own vehicles or through other means of road transportation. The remaining 90,000 will travel by air or sea. The passage by a Pakistan International Airlines flight from Amman to Karachi costs 7,500 Pakistan rupees, and from Riyadh to Karachi PRs 6,000 while the approximate cost by sea journey also comes to PRs 7,000 per person. The average transportation cost for bringing back a Pakistani from various stations in the Middle East to Karachi is estimated roughly at PRs 7,000. The expenditure thus expected to be incurred on travel by air and sea would therefore be PRs 630 million.

Those returning by their own vehicles or other means of road transportation will need to be provided PRs 10,000 per head to meet the cost of gasoline, hire charges for buses, temporary shelter and food charges in Turkey, the Islamic Republic of Iran and the Syrian Arab Republic. About PRs 100 million will be incurred on 10,000 persons travelling by road.

To facilitate internal movement within Pakistan and to meet other expenses for reaching the final destination, the Government has decided to pay PRs 6,000 to each person at the time of entry into Pakistan. The total burden of the cash grant would amount to PRs 600 million.

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a/ S/21776, annex.

The evacuees reaching Riyadh and Amman were transported from the borders, lodged in camps and provided food, blankets and medical aid before their embarkation on planes and ships. While all the evacuees in Riyadh have been cleared, there is a continuous flow to Amman. The cost of running camps at these places is estimated at $3.5 million, i.e., about PRs 70 million. Similarly, reception camps have been established at Taftan for overland evacuees and at Karachi for those returning by sea or air. The cost per head presently is estimated at PRs 1,000, with a total cost of PRs 100 million. Thus, camps and associated relief inputs will cost about PRs 170 million.

The summary of expenditure on the facilities noted above is given below.

		Millions of Pakistan rupees
a.	Travel expenditure at PRs 7,000 per head for 90,000 persons by air/sea	630
b.	Travel expenditure of 10,000 evacuees moving by land route at PRs 1,000 per head	100
c.	Expenditure on camps in Amman and Riyadh	70
d.	Payment at entry point for 100,000 evacuees at PRs 6,000 per head	600
e.	Reception camps at Karachi, Taftan: transportation and food	100
	Grand total	1 500

(Approximately $70 million)

The majority of expatriate Pakistanis have both the skill and enterprise for gainful absorption into the economy. To facilitate the process, schemes for their rehabilitation are under preparation. The cost to the federal budget will be known when returns and estimates are firmed up.

2. Loss of home remittances

Pakistan was receiving home remittances of about $170 million annually from Kuwait. As a result of the crisis, Pakistanis in Kuwait and Iraq are returning home. Due to disturbed conditions in the Gulf area, home remittances from other Gulf countries are also expected to decline. The total loss in home remittances is presently estimated at $300 million.

3. Loss of export receipts

The embargo on trade with occupied Kuwait and Iraq will cause a loss of $100 million in the form of export receipts.

4. Increase in the price of oil

The Gulf crisis will have a serious impact on the already tenuous balance-of-payments position of Pakistan since most of the refined petroleum products were being imported from Kuwait. Import payments are estimated to go up very significantly due to the increase in oil prices. The budget for 1990/91 projects a crude oil price at $17 per barrel, fuel oil at $85 per ton and other petroleum products at $160 per ton. As a result, POL (petroleum, oil and lubricants) import payments for the year 1990/91 are expected to add a burden of $600 million to the projection of $1,304 million incorporated in the budget as shown in the following table:

POL imports

	Budget	Projections (Revised)
Crude oil		
Value (millions of dollars)	470.0	664.0
Volume (millions of barrels)	27.7	27.7
Price (dollars per barrel)	17.0	24.0
Fuel oil		
Value (millions of dollars)	161.0	227.0
Volume (millions of tons)	1.9	1.9
Price (dollars per ton)	85.0	119.0
Others		
Value (millions of dollars)	673.0	950.0
Volume (millions of tons)	4.2	4.2
Price (dollars per ton)	160.0	226.0

Thus, loss of exports, a surge in oil prices and a drop in home remittances will increase Pakistan's current account deficit by about $1 billion in 1990/91. With foreign exchange liquid reserves of $500 million, sufficient to cover only a two weeks' import bill, it will not be possible for Pakistan to absorb the loss. In addition, an outlay of $70 million (PRs 1,500 million) which includes some foreign exchange expenditure on travel, camps and other operations, is required for Pakistanis returning from Kuwait and Iraq.

To overcome these unforeseen problems, Pakistan would need additional assistance of about $1,100 million by way of quick disbursing aid to support the deteriorating balance-of-payments position and also for the evacuation of Pakistanis from Kuwait and Iraq.

It is hoped that donor countries, the United Nations and international agencies would extend all possible assistance so that Pakistan can overcome these problems.

Enclosure II

Letter dated 12 October 1990 from the Permanent Representative of Pakistan to the United Nations addressed to the President of the Security Council a/

[Original: English]

In a letter dated 14 September (S/21776), I had conveyed to the President of the Security Council a memorandum on economic and financial impact on Pakistan resulting from the restrictions on economic relations with Iraq and Kuwait, pursuant to Security Council resolution 661 (1990). In that memorandum it was estimated that as a result of these restrictions, Pakistan's current-account deficit would increase by about $1 billion in 1990/91.

Since then, the price of oil and related products has increased considerably. It is estimated that as a result of these increases, Pakistan would now have to pay an extra $1,596 million during the current financial year for oil imports alone, as shown in the following table:

Petroleum, oil and lubricants (POL) imports

	Budget	Projections
Crude oil		
Value (millions of dollars)	470.0	915.0
Volume (millions of barrels)	27.7	27.7
Price (dollars per barrel)	17.0	36.0
Fuel oil		
Value (millions of dollars)	161.0	317.0
Volume (millions of tons)	1.9	1.9
Price (dollars per ton)	85.0	173.0

a/ S/21875.

	Budget	Projections
Others		
Value (millions of dollars)	673.0	1 668.0
Volume (millions of tons)	4.2	4.2
Price (dollars per ton)	160.0	397.0
Freight (millions of dollars)	10.0	10.0
(millions of dollars)	1 314.0	2 910.0

Thus, as a result of loss of exports to Iraq and Kuwait ($100 million), a drop in home remittances ($300 million), expenditure on repatriation of Pakistanis from Kuwait and Iraq ($70 million), and oil price increases ($1,596 million), Pakistan's current-account deficit will increase by approximately $2 billion in 1990/91. Consequently, Pakistan would need additional assistance of over $2,100 million by way of quick disbursing aid to support the deteriorating balance-of-payments position and for the evacuation of Pakistanis from Kuwait and Iraq.

Annex VII

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to the Sudan

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communications received from the Sudan under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by the Sudan a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990) and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having considered the information given by the Sudan,

Expressing concern at the special economic problems confronting the Sudan, a least developed country, as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), which are particularly difficult in terms of commercial and financial losses incurred by the Sudan, as well as costs associated with the repatriation and rehabilitation of Sudanese workers returning from Iraq and Kuwait,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by the Sudan, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of the Sudan for the measures it has taken to comply with resolution 661 (1990);

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a/ S/21675 and S/21930.

2. Recognizes the urgent need to assist the Sudan in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered Iraqi products to the Sudan and suspended capital flows from Kuwait, in addition to other commercial and financial losses, as well as costs associated with the repatriation and rehabilitation of Sudanese workers returning from Iraq and Kuwait;

3. Appeals to all States on an urgent basis to provide immediate technical, financial and material assistance to the Sudan to mitigate the adverse impact on its economy of the application by the Sudan of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialized agencies of the United Nations system, including the international financial institutions and the regional development banks, to review their programme of assistance to the Sudan with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of the Sudan and to report thereon to the Security Council.

Enclosure

Memorandum on the adverse economic and financial impact on the Sudan resulting from the Gulf crisis a/

[Original: English]

Sudan has faced a deteriorating economic situation during the last few years resulting from recurrent drought and rainfall shortages, influx of refugees and displaced people, as well as the armed conflict in the southern part of the country.

Despite all efforts exerted by the Government to mitigate the situation by adopting stringent economic reforms, the economic situation was lately aggravated by the Gulf crisis that laid adverse, direct and indirect economic and financial impact on the Sudanese economy.

Following is a brief outline of the direct and indirect impact:

		United States dollars (Millions)
A.	Direct impact:	
1.	The Gulf crisis is creating severe problems to the Sudanese economy. The most immediate of these problems have already been felt in the sharp increase in oil prices. At the current price of $40 per barrel, the country will have to pay an additional $200(M)	200
2.	As for wheat which could have been bought at a highly favourable price ($130/ton) from Saudi Arabia, the country will lose $60 million, i.e., 9 months' supply of 450 tons	60
3.	Another direct consequence of the crisis is the freezing of the trade protocol with Iraq and the expected delay in the implementation of the trade protocol with Jordan; the size of the two protocols is $100(M)	100
4.	Export earnings are also expected to shrink considerably since the Gulf States have recently become an important market for some of our traditional export commodities. The drop in the expected revenue from these exports is now anticipated as follows:	360

a/ S/21930, annex.

		United States dollars (Millions)	
	(Brought forward)		360
(a)	Livestock	70	
(b)	Vegetables and fruit	20	
(c)	Sesame	15	
(d)	Sorghum	70	175

5. The second area where the economy is expected to suffer is the remittances from the Sudanese working in the Gulf and who used to be a major source of import financing. Revenue from this source is anticipated to drop by about 30 per cent as a result of the atmosphere of uncertainty created by the crisis. Moreover, those who returned home have lost their jobs, properties and probably their savings; and have already started to exert an additional pressure on our meagre resources and services. Loss in remittances plus expenses on those who returned to reach $300(M) — 300

6. Project aid from the Kuwaiti Fund and the Arab Fund has, for practical reasons, come to a halt. Drawings from these two institutions are estimated at $200(M) during fiscal year 1990/91. These were allocated to finance most urgently needed and vital projects whose main objectives are to boost production of essential commodities and eliminate serious infrastructural bottle-necks — 200

7. General increase in freight and insurance is estimated at $20(M) — 20

8. Expected increases in exports of industrial countries due to higher oil prices are estimated at $130(M) — 130

Total direct adverse financial impact of the Gulf crisis on the Sudan's external account is estimated at — 1 185

B. Indirect impact:

The Gulf crisis has also an indirect impact on the country's general budget and the performance of its economy at large. Subsidies on petrol, wheat and medicine are expected to reach L.S. 4 billion (about $1 billion). This will incur more borrowing from the banking system and hence cause an increase in the supply of money. Such measures will lead to higher rate of inflation, with all its adverse consequences on incentives to producers and the performance of the economy on the macro level.

Annex VIII

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to Uruguay

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communications received from Uruguay under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by Uruguay a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990) and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of Uruguay,

Expressing concern at the special economic problems confronting Uruguay as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), which are particularly difficult in terms of its commercial and economic losses,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by Uruguay, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of Uruguay for the measures it has taken to comply with resolution 661 (1990);

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a/ S/21775 and S/AC.25/1990/34.

2. Recognizes the urgent need to assist Uruguay in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered Uruguayan products to Iraq and Kuwait;

3. Appeals to all States on an urgent basis to provide appropriate assistance to Uruguay to mitigate the adverse impact on its economy of the application by Uruguay of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialized agencies of the United Nations system, including the international financial institutions and the regional development banks, to review their programmes of assistance to Uruguay with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of Uruguay and to report thereon to the Security Council.

Enclosure I

Letter dated 13 September 1990 from the Permanent Representative of Uruguay to the United Nations addresssed to the President of the Security Council a/

[Original: Spanish]

Upon instructions from my Government, I have the honour to refer to the application to Uruguay of the provisions of Article 50 of the Charter of the United Nations, in the light of the economic difficulties which my country is facing as a result of the application against Iraq of the measures provided for by the Security Council in its resolution 661 (1990).

The Government of Uruguay, a country which has a deep-rooted law-abiding tradition and respects the decisions of United Nations bodies, has taken the necessary steps to ensure that its authorities and citizens comply with the embargo imposed against Iraq under the provisions of the above-mentioned resolution.

The implementation of this embargo has serious adverse consequences for our national interests by aggravating the progressive economic deterioration which has been affecting our country for several years.

Indeed, the flow of trade between Uruguay and Iraq had recently provided sizable benefits to our economy, owing to a succession of trade balances favourable to Uruguay. The volume of trade may not seem significant in absolute terms, but in the context of our national economy it represents significant amounts, particularly if it is borne in mind that the economy is greatly dependent on exports and has been facing a grave economic crisis for a number of years.

The suspension of this trade seriously affects our interests, since we have had to cancel export orders already placed as well as ongoing negotiations.

The interruption of lamb exports is having particularly grave repercussions on the Uruguayan economy, since this product, in the light of the present state of Uruguay's production and export sectors, is vital to the economy of the country.

It is for these reasons that I am turning to the Security Council, on behalf of my Government and in exercise of the right granted by Article 50 of the Charter of the United Nations, in order to initiate consultations with the Council with a view to solving these problems faced by Uruguay as a result of the implementation of resolution 661 (1990).

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a/ S/21775.

Enclosure II

Aide-mémoire on Uruguay's presentation to the Working Group of the Committee established by Security Council resolution 661 (1990) a/

[Original: English]

Uruguay is a small country with a long and well-established tradition of honouring its international obligations as part of its commitment to strengthening international law. It therefore immediately abided by the sanctions imposed by resolution 661 (1990) and others and enacted the necessary domestic legislation to enforce the embargo against Iraq. This action was taken without hesitation, in spite of the serious, immediate and direct effects it would have upon the country's economy.

These effects are particularly negative given the present situation and prospects of the Uruguay economy.

Economic situation of Uruguay

The economy of my country is and always has been heavily dependent on external factors. This is mainly due to the limitations of our doemstic market plus our need to import two mainstays for our economic development: capital goods and oil. Thus, in order to finance our development we have to expand our exports.

Uruguay is essentially an agricultural and agro-industrial country. We rely heavily on the export of agricultural commodities. Under normal free market conditions our natural and human resources would allow us to harbour good expectations. However, discriminatory practices in the international markets and the emergence of extraordinary circumstances beyond our control can jeopardize our best efforts and highlight Uruguay's vulnerability to external factors.

To guard against these risks it was necessary to diversify and to find new markets. One of the results of this drive was that the countries of the Middle East and of the Persian Gulf, particularly Iraq became important trade partners.

The ever-present need to increase our exports became even more imperative on account of our foreign debt and our determination not to default on its payments.

Note should be taken that all these challenges have to be met within the context of difficult economic and social problems.

Having opted for an economic model based on an open economy, Uruguay has engaged in a policy that entails very important structural adjustments such as reducing state intervention and expenditure and the adoption of measures directed at curtailing inflation, all of which have a high social and political cost.

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a/ S/22026, annex.

In view of this situation, it is not difficult to understand the disastrous effects of the Gulf crisis on Uruguay's economy. Nor is it surprising that the main international organizations dealing with world and regional economic and financial problems - such as the World Bank and the "Latin American Economic System" organization - have singled Uruguay out as one of the countries most affected by the current oil crisis.

Uruguay imports 100 per cent of its fuel requirements and uses it mainly for the transportation of goods and the generation of electricity. Therefore, the first impact of the crisis came as a sudden sharp rise in the price of its imports. The cost of Uruguay's oil imports for 1990 rose by almost $42 million, or the equivalent of 3 per cent of all estimated imports for 1990. The estimates for 1991 are no better but depend mostly on future developments of the crisis. In any case, additional expenditures for next year would equal 1 per cent of the gross national product.

This disastrous situation will serve as a framework to understand the very negative impact of the applications of the sanctions imposed on Iraq by the Security Council and duly observed by Uruguay.

Effects of the Security Council imposed embargo

For several years, the private sector in Uruguay, with official support, had tried to penetrate Middle East markets, particularly Iraq, and had begun to be increasingly successful as far as volume, prices and payment conditions were concerned.

Over the last few years Iraq became a very important buyer of beef, mutton and rice. As far as mutton is concerned, Iraq became the primary importer from Uruguay, rising from 2,000 tons to more than 15,000 tons in 1989. This represents 29 per cent of total mutton exports. The value of immediate losses as a result of the conflict is estimated at $22 million. However, since the market as a whole can be presumed to be lost because of this situation, at least in the foreseeable future, the actual figure would be closer to $34 million for 1990-1991. This is equal to 1 per cent of total exports for 1990 or 2 per cent of total exports estimated for 1991.

Efforts at replacing this market have so far proved very difficult, despite intense bilateral efforts, owing to well known obstacles in the international market. Given the disappointing result of the General Agreement on Tariffs and Trade's Uruguay Round, particularly regarding agricultural products, the prospects are not encouraging.

The effect on the country's economy, however, is belied by these apparently minor figures. First, such large purchases are very important inputs to the stock management equation. Secondly, the mutton industry was highly dependent on these exports and as a direct result of no longer being able to sell to Iraq, private companies have been left on the verge of bankruptcy and have been forced to lay off up to 50 per cent of the work force. Since this industry is the economic backbone

of certain areas of the country, the ensuing social and related economic effects are potentially devastating to these areas owing to their multiplying effect and therefore to the economy as a whole.

In summary, the simple and very probable continuation of this situation will mean that Uruguay will lose $53.8 million from its trade balance in 1990 and $112 million in 1991. This latter figure is equal to 1.3 per cent of the gross national product or 5 per cent of estimated exports for this year.

This loss of income has obvious negative effects on Uruguay's capacity to save, invest and import, and on a wider sense on its economic growth, its unemployment rate and price levels.

In conclusion, the resulting damage to the Uruguayan economy is qualitatively and in terms of its own proportions very serious.

In our opinion, this whole situation is clearly covered by the provisions of Article 50 of the Charter of the United Nations, that is to say that there exists a special economic problem arising from the carrying out of the sanctions imposed by the Security Council.

Annex IX

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to Viet Nam

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communications received from Viet Nam under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling also the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by Viet Nam a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990) and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of Viet Nam,

Expressing concern at the special economic problems confronting Viet Nam as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), which are particularly difficult in terms of its commercial and financial losses,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by Viet Nam, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of Viet Nam for the measures it has taken to comply with resolution 661 (1990);

2. Recognizes the urgent need to assist Viet Nam in coping with its special economic problems resulting from the severance of its economic relations with Iraq

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a/ S/21696, S/21810, S/21821, S/AC.25/1990/16 and S/22004.

and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered Vietnamese products to Iraq and other commercial and financial losses;

3. Appeals to all States on an urgent basis to provide immediate technical, financial and material assistance to Viet Nam to mitigate the adverse impact on its economy of the application by Viet Nam of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialized agencies of the United Nations system, including the international financial institutions and the regional development banks, to review their programmes of assistance with Viet Nam with a view to providing assistance to Viet Nam so as to alleviate its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of Viet Nam and to report thereon to the Security Council.

Enclosure

Memorandum on the economic, commercial and financial impact on Viet Nam resulting from restrictions on economic relations with Iraq and Kuwait a/

[Original: English]

As an underdeveloped country whose economy was devastated during many years of war, Viet Nam's strict implementation of Security Council resolution 661 (1990) has had an immediate and serious impact on Viet Nam's fragile economy, especially at a time when Viet Nam has begun a renewal process with a view to transforming its economy from a system of bureaucratic and centralized management based on State subsidies into an economy of commodity production and at a time when Viet Nam has begun implementing the plan for the voluntary repatriation of Vietnamese refugees.

The following are some of the losses inflicted on Viet Nam's economy as a result of Viet Nam's strict implementation of Security Council resolution 661 (1990):

	(United States dollars)
A. Direct impact	
1. Losses in exports to Iraq	
(a) Goods already shipped but that could not reach Iraq	500 000
(b) Goods to be delivered as per contracts already signed but that now must be cancelled	6 500 000
(c) Value of contracts ready for signing with Iraq but that now will have to be dropped	3 500 000
2. Total loss for the Government of Viet Nam due to abrupt termination of contracts of 16,305 Vietnamese workers working in Iraq	112 602 290
3. Value of contracts already signed with Iraq for a further 10,000 Vietnamese workers to work in Iraq that are now suspended	53 080 000

a/ S/22004, annex.

		(United States dollars)
4.	Total value of loans and credits which Kuwait provided Viet Nam for the construction of an irrigation project and some other projects in the central highland areas of Viet Nam. All this has now been suspended	30 000 000
B.	Indirect impact	
1.	Total local costs in Viet Nam incurred due to the return of 16,305 workers (costs in terms of settlement allowances, employment arrangements, job retraining, etc.)	8 528 600
2.	Additional costs for oil imports until the end of 1990 owing to the increase in oil price	100 000 000
3.	Additional costs incurred for imports of chemical fertilizers	12 500 000
4.	Additional costs incurred for imports of various chemicals, plastics and iron, etc. (approximate)	50 000 000
	Total	377 210 890

5. Other impact on the country's economy that cannot be estimated yet:

(a) Transportation costs increased by:

(i) 70 per cent for road transport;

(ii) 13 per cent for rail transport;

(iii) 30 per cent for maritime transport;

(b) Additional production cost for coal mining (estimated increase from 80,000 Vietnamese dongs to 120,000 dongs per ton);

(c) Additional production cost for power generation (increased from 167 dongs/KW to 213 dongs).

The overall impact of the Gulf crisis on such an economy in transition as that of Viet Nam is extremely damaging. This is in terms not only of adverse effects on the country's socio-economic development efforts and plans, but also of direct effects on the current living conditions of the people.

It is in this context that Viet Nam seeks assistance from the United Nations and international agencies to overcome those difficulties.

Annex X

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to Bangladesh

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communication received from Bangladesh under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling further the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by Bangladesh a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990) and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of Bangladesh,

Expressing concern at the special economic problems confronting Bangladesh, a least developed country, as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), which are particularly difficult in terms of its commercial and financial losses, as well as costs associated with the repatriation and rehabilitation of Bangladeshi workers returning from Kuwait and Iraq,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by Bangladesh, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of Bangladesh for the measures it has taken to comply with resolution 661 (1990);

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a/ S/21856.

2. Recognizes the urgent need to assist Bangladesh in coping with its special economic problems resulting from the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered Bangladeshi products to Iraq and Kuwait as well as costs associated with the repatriation and rehabilitation of Bangladeshi workers returning from Kuwait and Iraq;

3. Appeals to all States on an urgent basis to provide immediate technical, financial and material assistance to Bangladesh to mitigate the adverse impact on its economy of the application by Bangladesh of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialized agencies of the United Nations system, including the international financial institutions and the regional development banks, to review their programmes of assistance with Bangladesh with a view to alleviating its special economic poblems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of Bangladesh and to report thereon to the Security Council.

Enclosure

Memorandum on the economic and financial impact on Bangladesh resulting from restrictions on economic relations with Iraq and Kuwait a/

[Original: English]

Bangladesh has been abiding by Security Council resolution 661 (1990). The implementation of the resolution has had immediate and adverse repercussions on the economy of Bangladesh. The memorandum explains the economic losses that Bangladesh would face as a result of the imposition of sanctions against Iraq and Kuwait. The impact of sanctions has caused serious damage to the economy and development efforts of Bangladesh. The adverse consequences are felt most acutely in the following areas:

(a) Cost of repatriation and rehabilitation of Bangladeshis displaced from Iraq and Kuwait;

(b) Loss of remittances;

(c) Increase in the price of oil;

(d) Loss of exports;

(e) Loss of aid.

1. Repatriation and rehabilitation of Bangladeshis

According to estimates, 100,000 Bangladeshis were employed in Kuwait and Iraq. Bangladesh is obliged to bear the burden of their repatriation. The cost of such repatriation is tentatively estimated at about $US 36 million. Stranded Bangladeshis are being airlifted from Jordan, Turkey and Saudi Arabia. In addition to these costs, and loss of remittances, the Government will have to spend an enormous amount to rehabilitate the returnee Bangladeshis. With Bangladesh's fragile economy, it will be an extremely difficult task to absorb them into the economy. It will aggravate the already high unemployment situation in the country and put an unbearable social burden on the country.

2. Loss of remittances

The Gulf crisis has stopped annual remittances of $US 160 million from Bangladeshis employed in Kuwait and Iraq. The situation has caused a large exodus of Bangladeshis from the area.

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a/ S/21856, annex.

3. Increase in the price of oil

Bangladesh has been most seriously affected by the rise in the price of oil as most of its requirements are met from imports from the Middle East. The additional cost of petroleum, oil and lubricants to the economy at the current price would be very high. Computation of the exact amount is rendered difficult owing to the continual rise in oil prices.

4. Loss of exports

Kuwait and Iraq have been important trading partners of Bangladesh. The embargo will result in an annual loss of exports to these countries in the amount of $US 120 million.

5. Loss of aid

The crisis has resulted in the loss of $US 56 million from Kuwait lined up for various projects in Bangladesh.

Besides these, the crisis and its prolongation will mean for Bangladesh an estimated revenue loss of about taka 10 billion or $US 278 million in 1990-1991.

Conclusion

External shocks emanating from the Gulf crisis will have debilitating effects on the long-term growth prospects, balance of payments, employment and price levels of Bangladesh. Unless such losses, which may amount to $1.5 billion, are compensated for, Bangladesh will be forced to curtail imports drastically. It will affect the Government's ability to continue with the implementation of the structural adjustment import liberalization programme as well as the development programme.

It is in this context that Bangladesh hopes that donor countries, the United Nations and multilateral agencies will consider rendering all possible assistance to Bangladesh to overcome these problems.

Annex XI

Recommendation by the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait with regard to Seychelles

The Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait,

Having dealt with the communication received from Seychelles under Article 50 of the Charter of the United Nations,

Recalling Security Council resolution 661 (1990) of 6 August 1990 in which the Council decided to impose sanctions in accordance with Chapter VII of the Charter of the United Nations, as well as Security Council resolutions 660 (1990) of 2 August 1990, 662 (1990) of 9 August 1990, 664 (1990) of 18 August 1990, 665 (1990) of 25 August 1990, 666 (1990) of 13 September 1990, 667 (1990) of 16 September 1990, 669 (1990) of 24 September 1990, 670 (1990) of 25 September 1990 and 674 (1990) of 29 October 1990,

Recalling further the provisions of Articles 25, 49 and 50 of the Charter of the United Nations,

Noting the information given by Seychelles a/ regarding the measures taken to give full effect to the sanctions as laid down in resolution 661 (1990) and concerning the special economic problems it has been confronted with as a result of the implementation of those measures,

Having heard the representative of Seychelles,

Expressing concern at the special economic problems confronting Seychelles as a result of the severance of its economic relations with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), which are particularly difficult in terms of commercial and financial losses incurred by Seychelles,

Recognizing that the continued full implementation of Security Council resolution 661 (1990) by Seychelles, as well as other States, will support measures to ensure compliance with paragraph 2 of that resolution and to restore the authority of the legitimate Government of Kuwait,

1. Commends the Government of Seychelles for the measures it has taken to comply with resolution 661 (1990);

2. Recognizes the urgent need to assist Seychelles in coping with its special economic problems resulting from the severance of its economic relations

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a/ S/21891.

with Iraq and occupied Kuwait as required by Security Council resolution 661 (1990), especially those losses resulting from undelivered Kuwaiti oil shipments to Seychelles and other commercial and financial losses incurred by Seychelles;

3. Appeals to all States on an urgent basis to provide immediate technical, financial and material assistance to Seychelles to mitigate the adverse impact on its economy of the application by Seychelles of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

4. Invites the competent organs and specialized agencies of the United Nations system, including the international financial institutions and the regional development banks, to review their programmes of assistance to Seychelles with a view to alleviating its special economic problems arising from the application of sanctions against Iraq pursuant to Security Council resolution 661 (1990);

5. Requests the Secretary-General, on a regular basis, to seek information from States and the concerned organs and agencies of the United Nations system on action taken to alleviate the special economic problems of Seychelles and to report thereon to the Security Council.

Enclosure

Presentation made on 17 December 1990 by the Chargé d'affaires a.i. of Seychelles to the Working Group of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait

[Original: English]

The Seychelles is a geographically remote, sea-locked multi-island developing country with limited resources relying for its economic prosperity on the performance of its principal tourism and fisheries sectors. The economy is, as a result, highly vulnerable to exogenously determined forces.

As a consequence of Seychelles' location, economic structure and concomitant import dependence, it has been placed in an extremely difficult economic position because of the Iraq annexation of Kuwait and the implementation of Security Council resolution 661 (1990).

The Government of Seychelles has fully complied with the provisions of Security Council resolution 661 (1990) adopted on 6 August 1990, to impose economic sanctions on Iraq.

The observance by Seychelles of the United Nations sanctions régime against Iraq has had significant adverse consequences for the Seychelles economy. Some of those effects have been experienced immediately while other detrimental impacts will be manifested in the coming period owing to the time lags.

This brief, preliminary assessment seeks to show that the Seychelles' situation warrants financial assistance from the international community for as long as Security Council resolution 661 (1990) remains in force.

The immediate impact of the political crisis in the Gulf sharply raised aircraft fuel and insurance premiums, engendering in turn a hike in the cost structure of the tourism industry, the mainstay of the economy. The re-export of oil, mostly as bunker sales to the locally based tuna fishing fleet and to a lesser extent to transiting aircraft, was sharply disrupted. The lucrative oil re-export business, and with it, the foreign exchange margin, which had by and large financed the domestic consumption of petroleum products in recent years, went into a downturn.

Although it may be argued to the contrary that there is an unexpected benefit concerning the re-export of oil, this would be erroneous.

Because of the crisis any increase in bunkering costs has been off-set by maintaining very low licensing fees for foreign purse seiners, e.g., the recent agreement between the Seychelles Fishing Authority and Nippon Maru, where the licence fee was held at the same level as at 1986 prices.

The energy requirements of Seychelles are met through imports of petroleum, which is one of the major commodities significantly affecting the balance of

payments. The cost of petroleum imports accounts for more than 25 per cent of the country's import bill or 169 million Seychelles rupees, a/ or $US 30 million (1989).

Therefore the whole economy depends on getting the cheapest possible petroleum at favourable terms of credit and from the closest distance.

Prior to the political crisis in the Gulf region, Seychelles was entirely dependent on Kuwait for oil supplies. Those supplies were transacted under preferential terms and conditions. Kuwaiti oil was purchased on 45 days' credit which permitted Seychelles 15 days extra grace to pay refining costs, instead of the normal 30 days.

The price was based on a five-day arithmetic mean of oil spot prices in the Arab free-on-board (FOB) market for all products, with the exception of motor gasoline.

Also, because the supply was assured in addition to the extra 15 days' credit, it was necessary for Seychelles to maintain only minimum stocks of all fuel types. Those stocks could be replenished easily because of Kuwait's proximity to Seychelles, being only 10 days sailing time away. As a consequence of the aforesaid, the country did not experience a bunching of payments or a liquidity problem.

The political crisis in the Gulf and Seychelles' adherence to United Nations sanctions against Iraq effectively severed the country's regular supply of oil and simultaneously resulted in the loss of the Kuwaiti oil-financing facility.

Seychelles has been especially affected by the steep rise in the price of oil since it has no alternative sources of energy or oil refineries of its own. In this regard, it will be recalled that the price of refined oil has increased to an even greater extent than that of crude oil.

On 31 July 1990, the country's stock was at the minimum requirement level. Also, two cargo loads of oil were on order from Kuwait in August, amounting to 12,000 tons at pre-crisis prices. As a result of the political situation in the Gulf, that arrangement could not be finalized.

Seychelles was compelled to purchase, in August, on the open Bahrain spot market with only 30 days' credit, instead of 45 days. To meet the situation, the Seychelles Petroleum began stockpiling at high cost from August 1990 onwards. This means that, in the last quarter of 1990, Seychelles has spent an extra $2 million.

In addition, the need to make bulk purchases of petroleum products on the spot market gave rise to a liquidity problem and this will be reflected in the balance of payments in 1991.

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a/ SR 5.50 = $US 1.00.

Given the current situation, provisional estimates for 1991 indicate that the purchase of petroleum imports would result in an additional cost of $12.5 million, giving rise to a loss of $4.1 million.

The quantification on the balance of payments given below is based on actual performance up to July 1990, and assumes that payments for imports and oil imports will rise by 15 per cent.

The following forecast can be made: based on actual performance up to July 1990, and assuming a 15 per cent rise in the price of imports, the overall balance of payments is expected to post a deficit of SR 36 million ($6.5 million), giving rise to a cumulative deficit of SR 72 million ($13 million) for 1990 and 1991.

Seychelles is almost wholly dependent on tourism earnings. 1988 earnings from tourism were SR 515 million. The gross domestic product (GDP) as current market prices in 1988 was SR 1,523.9 million. Thus, tourist income alone as a percentage of GDP was around 33 per cent at current market prices in 1988. The gross national product (GNP) was SR 1,430.3 million in 1988, indicating tourist earnings as 36 per cent of GNP.

However, the value added to GDP from the tourist sector in the form of transport, hotel services, etc., has not been included in these percentages.

There are other relevant aspects to the tourist industry which must be mentioned here. These aspects are: (a) tourist bookings for 1990 do not give a picture of the impact of the crisis on Seychelles because over 75 per cent of tourist arrivals were pre-booked and planned long before; (b) a large percentage of the remaining 25 per cent is low-budget tourists who spend very little foreign exchange in the country; and (c) around 80 per cent of tourist income is spent on imports, of which imports for the tourist trade stand at a very high percentage. Most of the big hotels have raised their rates by from 3 to 8 per cent and the small hotels by 7 per cent.

The impact of the crisis on domestic prices and trade tax as at 5 September 1990 has been estimated as follows:

(a) The price of gasoline is up from SR 5.21 ($0.9) per litre to SR 6.51 ($1.18) per litre;

(b) AV gas is up from SR 5.87 ($1.06) per litre to SR 7.00 ($1.3) per litre;

(c) Jet A-I is up from SR 2.98 ($0.54) per litre to SR 3.77 ($0.68) per litre;

(d) Spirit-type jet fuel is up from SR 5.87 ($1.06) per litre to SR 7.00 ($1.27) per litre.

As at 5 September 1990, trade tax losses, which by the nature of the tax mechanism are exactly equal to the additional foreign exchange cost of domestic fuel consumption, are expected to be SR 11.5 million ($2.0 million) from August to December 1990.

The fiscal effects of trade tax losses and other spill-over effects are expected to add to the total budgetary cost to the Government in the region of SR 8 to SR 50 million ($2 million-$9 million) in 1990.

The need to pay spot cash for oil as and when necessary is creating and will fuel a liquidity problem which cannot be quantified at this time.

In conclusion, time-lagged detrimental impacts in the future would be exacerbated by possible economic fluctuations in the world economy, such as a recession accompanied with inflation. Thus, the impact on the economy particularly the balance of payments and budget via tourism earnings cannot be fully quantified at this moment in time.